



Weekly Letter:

Fed speech windfall in options expirations week

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- No less than 14 Fed speakers lined up this week, all with the gun to move the market, including Jerome Powell on Friday
- The market is still locked in a tight range, building energy. The options expiration this week may give the market a reason to continue in a tight range. Next week may show the true nature of the trend

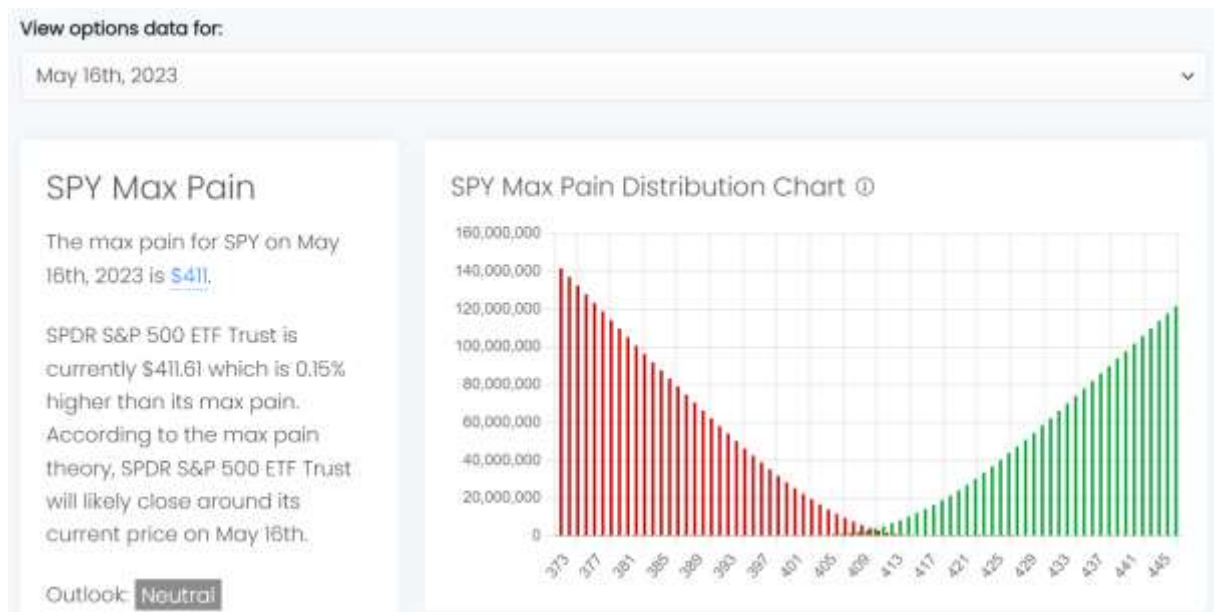
The stock market is still trading in a narrow range. More on this later. This Friday, the 19th, could be a test for the market. There is little to trade on as the earnings season soon ends (with good results). After the last Fed meeting, all Fed members are eager to give their views on the current macroeconomic situation and their voices on the market. This week we have 14 Fed speakers lined up. This is another sign that we have given the Fed and other central banks too much power. First, they create the crisis, and then we must listen to them when they explain how to fix it...

This week is also options expiration, and the debt ceiling is looming over the market.



All red weeks are options expiration weeks in the CBOE calendar above.

Historically, options expiration weeks have been turbulent days for the stock market. But in recent years, it has been the opposite. This is because prominent traders control the markets as much as possible. And it is the week after options expiration that the real trend is revealed.



Above is the Max Pain for this Friday's S&P 500. The Max Pain, or Max Pain price, is the strike price of the most open options contracts (i.e., puts and calls). It is the price at which the stock would cause financial losses to the most significant number of option holders at expiration. In other words, the option seller wants the market to close at that exact balance. Right now, the S&P 500 is trading at exactly that level.

The 19th is the third Friday in May, so options expire. According to Yahoo Finance, the ideal call and put options on the S&P 500 have a strike of 4,100 - also known as Max Pain. At the time of writing, the S&P 500 is trading at 4,109. The closer we get to expiration, the more likely the index will remain near 4,100 until after expiration. This is because the holder and issuer of the options will trade the index back to 4,100 as soon as it moves away from the 4,100 level.

For example, traders with written call options will buy the index to have a long position in the underlying if the index is above 4,100. This means that after the exercise, they will have a short position if they have sold the index to the call option holder. The traders holding the call options do the opposite. I.e., they sell the index to have a short position in the underlying if it is above the 4,100 level to have a flat position after exercise when they buy the index from the issuer. This trading pattern makes the 4,100-level sticky... if the index falls below 4,100, the call option writer must sell his

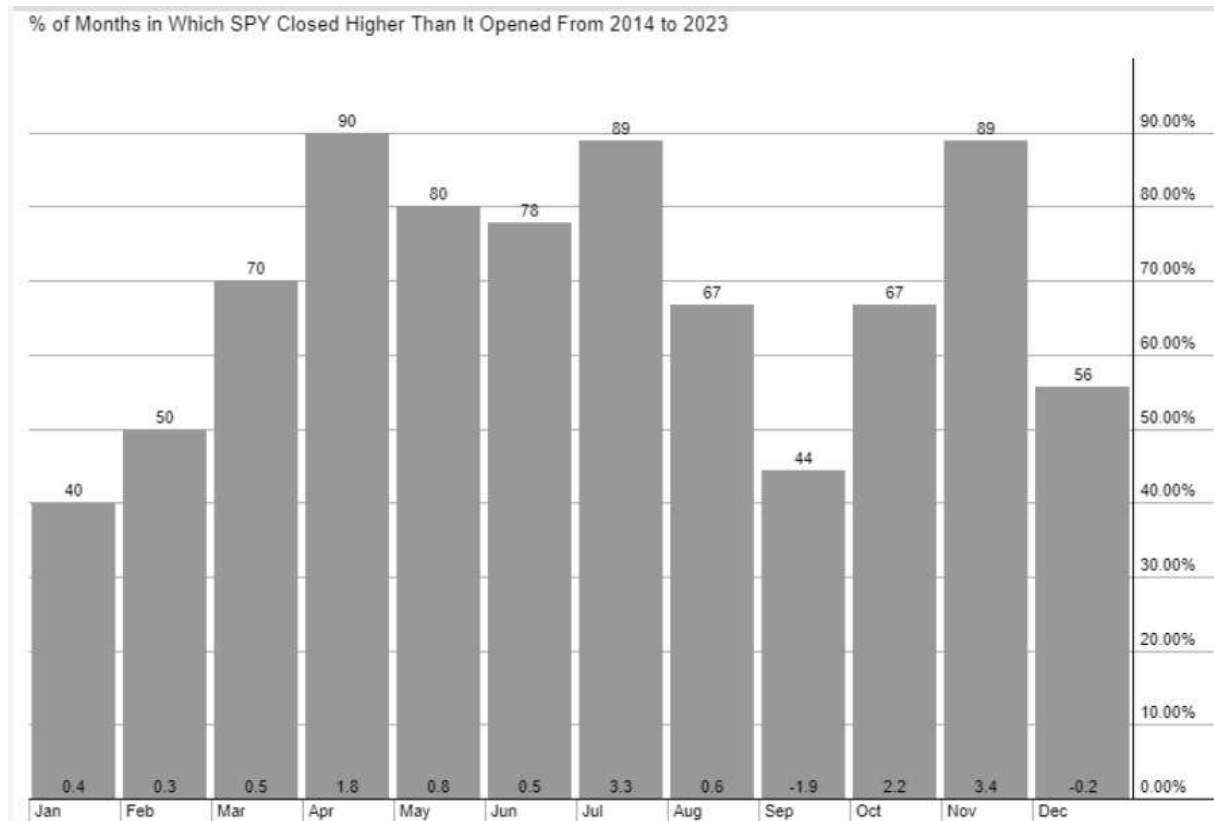
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long position in the index to have a net zero position after the exercise. Holders must instead buy to cover their short positions...and again, the index is pulled back towards the 4,100-strike price.



Tier1Alpha has done a calculation on the fluctuations during options expiration weeks. If you sell before the options expiration week and get back into the market the week after, you will have a much better return than if you stay long all the time. We can only guess the reason, but in a bullish market, which we have had since the study began in 2021, option sellers have an excellent reason to hold back the market during options expiration.

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In terms of seasonality, we are approaching the weaker summer season. As the saying goes, sell in May, and go away. August - September is a better time to be extended from a seasonality perspective. There could be many opportunities in the market.



US regional banks are a good measure of the market right now. KRE above is an ETF on regional banks. As we wrote last

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week, the market is trying to find a bottom. The MACD is bullish. A break above the EMA9 is a first sign.

There were many articles last week about Michael Burry of the "Big Short" flipping from short regional banks to long US regional banks.



<https://www.cnbc.com/2023/05/15/big-short-michael-burry-bought-a-slew-of-regional-banks-last-quarter-amid-banking-crisis.html>



The S&P 500 is trading in a bullish channel with a falling MACD. A wedge is forming inside the channel, building energy. This energy could be released in the week after the options expiration. As a trader, you may want to wait to take a firm position until you have a decisive break of the pattern.

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Above is an equal-weighted index for the S&P 500, where all stocks are equally weighted. As you can see, it is on the weaker side.



The mega-caps, such as the FANG stocks still drive the stock market. This could be a warning sign for the broader market.

The best advice is to take a cautious approach and wait for the trend to emerge next week after options expire. The weather forecast for the weekend may give us the best

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indication of what kind of market it is (from Norwegian Yr.no):

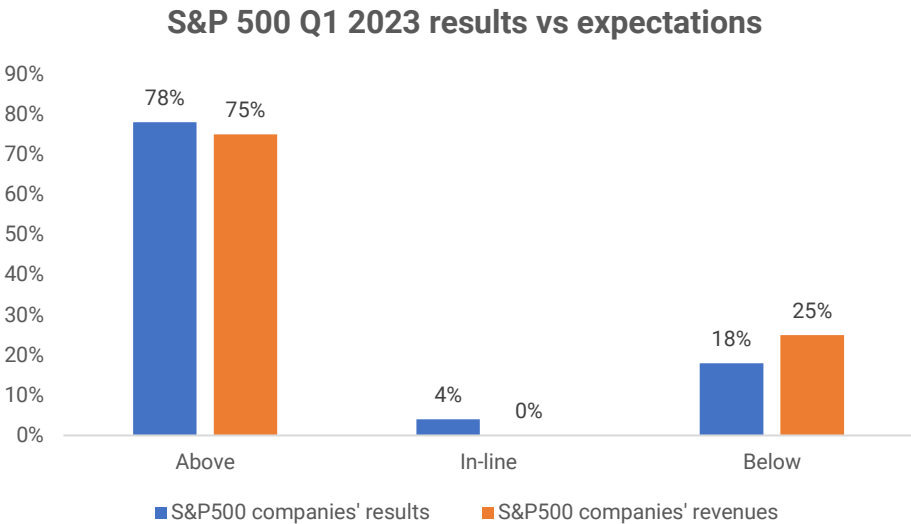
Torsdag 18. mai					15° / 6°
Fredag 19. mai					22° / 9°
Lørdag 20. mai					22° / 7°
Søndag 21. mai					23° / 8°

Take a rest and come back next week!
Happy trading.

Q1 2023 Earnings season

Interim reports of S&P500 companies

For Q1 2023 (with 92% of S&P500 companies reporting), 78% of S&P companies have reported a positive EPS surprise, while 75% have reported a positive revenue surprise.



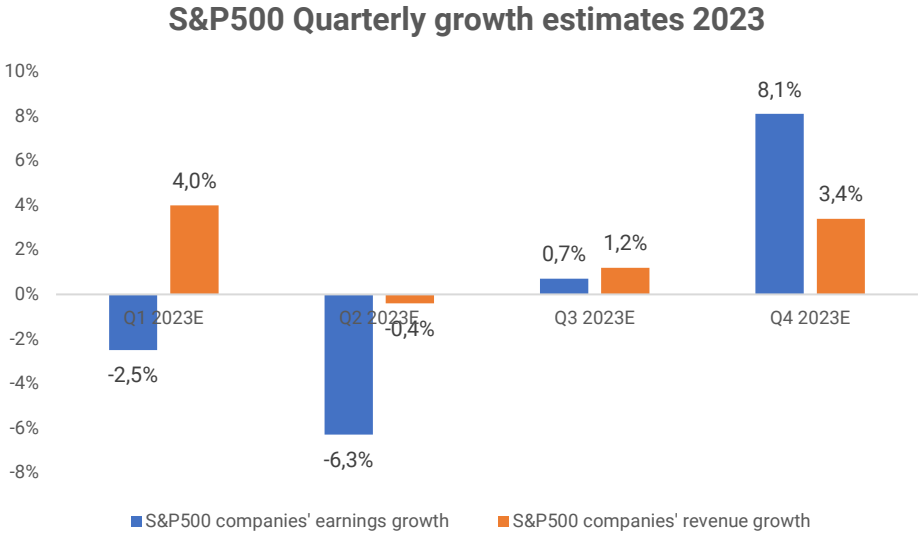
Sources: Factset Earnings Insight, Carlsquare.

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The best-performing sectors are Energy and Information Technology, with 87% of Q1 results beating expectations, followed by Industrials with 86%. The sectors with the lowest percentage of better-than-expected Q1 results are Utilities at 60%, Financials at 64% and Real Estate at 70%.

For Q2 2023, 50 S&P500 companies have issued negative earnings guidance, and 37 have issued positive e earnings guidance.

Analyst forecasts for S&P500 earnings and revenue growth for the remaining three quarters of 2023 are shown in the chart below.



Sources: Factset Earnings Insight, Carlsquare.

The average earnings per share surprise are 8.5%, and the median is 5.5% for the S&P500 companies reporting since 21 March. Share price movements following these quarterly reports have been small (0.0% on average and -0.1% on median).

Company	Report Date	EPS estimate	EPS reported	Surprise	Price Change
Walt Disney	10-May-23	0,89	0,93	4,5%	-4,6%
Home Depot	16-May-23	3,60	3,62	0,5%	-2,8%
Average (including interim reports since 21 March 2023)				8,5%	0,0%
Median (including interim reports since 21 March 2023)				5,5%	-0,1%

Source: Capital Research

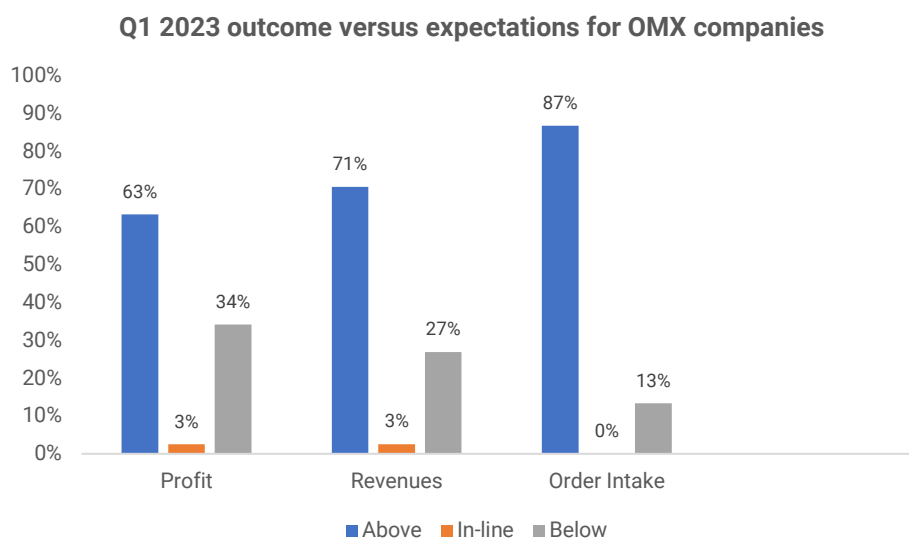
Interim reports of OMX companies

The table below summarises the results of quarterly reports from OMX companies during the last week. The average figures include 81 OMX companies, with consensus estimates reported since 30 March.

Company	Date	Result			Revenues			Order Intake		
		Better	In-line	Worse	Better	In-line	Worse	Better	Worse	
Sagax	09-May	1,6%			4,9%					
Balder	11-May	6,6%					-1,4%			
Sweco	12-May	5,7%			2,7%					
Storskogen	12-May	17,2%			0,3%					
Lagercrantz	16-May	4,3%			3,4%					
Nibe	16-May	4,2%			1,0%					
Average		14,6%	0,0%	-14,2%	5,9%	0,0%	-2,0%	23,2%	-14,6%	

Sources: www.di.se, Avanza, Placera, Carlsquare.

63% of the Q1 2023 reports beat analysts' expectations on earnings, 71% on sales, and 87% on order intake. Only 15 companies have reported order intake.



Sources: www.di.se, Avanza, Placera, Carlsquare.

Week Ahead

This week, 13 S&P500 companies will report their Q1 2023 results. Below is a list of upcoming Q1 2023 US earnings reports for companies with a market cap exceeding USD 100 bn with expected EPS.

EARNINGS CALENDAR	
Date	EPS _e Q1 2023 (USD)
17-May Cisco Systems	0,97
18-May Walmart	1,32
19-May Deere & Company	8,50
23-May Lowe's Companies	3,50
23-May Intuit	8,45

Source: Zacks.com

Reports and events on Wednesday, 17 May: Catena Media, Research, Björn Borg, Addtech, Cisco, Commerzbank, Siemens, Take Two and TJX.

Today at 11:00 CET, the eurozone CPI for April will be published. In the afternoon, the US will release Housing Starts and Building Permits for April and DOE weekly oil inventories.

Reports on Thursday, 18 May: Alibaba, BT Group and Walmart.

The OMX Nordic exchanges are closed for a public holiday.

Japan's trade balance is due at 0.50 CET. From the US, we get the Philadelphia Fed index for May, weekly jobless claims, existing home sales, and leading indicators for April.

Reports on Friday, 19 May: Deere.

Japanese CPI for April will be released at 0.30 CET. Swedish Industrial Capacity Utilisation for Q1 and German PPI for April are due at 8.00 CET.

Reports on Monday, 22 May: Ryanair

Japan's Machinery Orders for March are due at 1.50 CET. Shortly before lunch (11:00 CET), we will get the Euro-Zone Construction Output for March. In the afternoon (16:00 CET), we will get May's US Household Confidence Indicator.

Reports on Tuesday, 23 May: Norva 24, Adevinta, IDEX Biometrics, Lowe's Companies and Intuit. Capital Markets Days for Concentric and Trelleborg.

Purchasing Managers' Indices from Japan, France, Germany, the UK, and the US dominate the macroeconomic agenda. We get the current eurozone account for March. We also get the weekly Redbook Retail Sales, April New Home Sales, the May Richmond Fed Index, and the weekly oil inventories (API) from the US.

Valuation Tables, Swedish Equities

Lowest P/E-ratio			Highest Yield		
Bolag	Price	P/E NTM	Bolag	Price	Yield, %
Maha Energy AB	8,7	1,6x	Samhällsbyggnadsbolaget i Norden AB	6,6	21,8
Tethys Oil AB	48,4	3,0x	SSAB AB	69,7	17,1
Bonava AB	18,2	3,6x	Bonava AB	18,2	12,5
Humana AB	14,6	4,3x	Aktiebolaget Fastator	6,2	12,1
Samhällsbyggnadsbolaget i Norden	6,6	5,4x	Tethys Oil AB	48,4	10,6
Bong AB	1,0	5,5x	Cibus Nordic Real Estate AB	100,8	10,2
Serneke Group AB	27,8	5,7x	Skanska AB	149,4	10,0
Midway Holding AB	22,7	5,8x	Resurs Holding AB	19,1	9,9
Nordic Paper Holding AB	40,4	5,9x	Svenska Handelsbanken AB	87,5	9,4
Swedbank AB	169,4	6,0x	AB Volvo	206,3	9,4
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		
Lowest priced Net Asset Value			Lowest priced NAV on a debt-free basis		
Bolag	Price	P/B	Bolag	Price	EV/EB
Oscar Properties Holding AB	0,8	0,1x	Serneke Group AB	27,8	0,3x
Eniro Group AB	0,7	0,1x	Concejo AB	26,8	0,4x
Samhällsbyggnadsbolaget i Norden	6,6	0,2x	Karolinska Development AB	1,7	0,4x
Bonava AB	18,2	0,2x	Hoist Finance AB	25,4	0,4x
Humana AB	14,6	0,3x	Alligator Bioscience AB	0,5	0,4x
Cint Group AB	10,9	0,3x	Vivesto AB	0,3	0,5x
Corem Property Group AB	7,4	0,3x	Tethys Oil AB	48,4	0,5x
Aktiebolaget Fastator	6,2	0,3x	Projektengagemang Sweden AB	12,4	0,5x
BHG Group AB	11,7	0,3x	Maha Energy AB	8,7	0,5x
K2A Knaust & Andersson Fastigheter	10,4	0,3x	BICO Group AB	58,7	0,6x
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		
Lowest priced earnings growth			Top priced earnings growth		
Bolag	Price	PEG	Bolag	Price	PEG
Nordisk Bergteknik AB	31,1	0,1x	Skanska AB	149,4	138,7x
Volvo Car AB	36,8	0,1x	Stillfront Group AB	21,8	36,7x
RVRC Holding AB	31,5	0,2x	Hufvudstaden AB	133,4	17,9x
TF Bank AB	136,0	0,3x	H+H International A/S	98,4	14,0x
Embracer Group AB	44,0	0,4x	Sampo Oyj	45,8	8,6x
H & M Hennes & Mauritz AB	143,9	0,4x	Tokmanni Group Oyj	12,3	7,3x
New Wave Group AB	209,4	0,4x	Getinge AB	254,5	7,3x
Sinch AB	22,6	0,4x	Raisio plc	2,3	6,8x
Viaplay Group AB	241,4	0,4x	Uponor Oyj	26,3	6,5x
Swedbank AB	169,4	0,5x	Vestas Wind Systems A/S	210,9	5,1x
Source: S&P Capital IQ/Carlsquare			Source: S&P Capital IQ/Carlsquare		

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